

## Appendix XVI. Calculating the Medical Expense Deduction

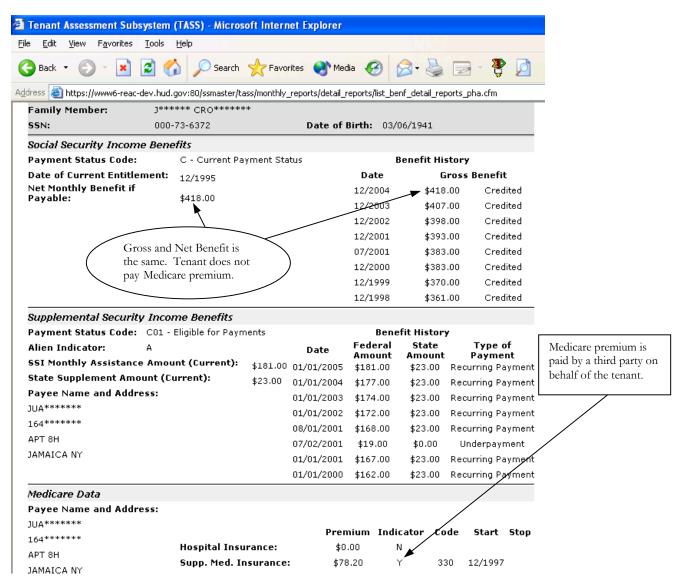


Figure 59. Household not entitled to Medical Expense Deduction

In this case, a third party pays the Medicare premium of \$78.20 on behalf of the tenant. This is indicated by a "Y" under "Indicator." Thus, the tenant's gross and net payment is the same (\$418.00). The \$78.20 monthly payment on behalf of the tenant is counted as income. However, 100% of this income is excluded under 24 CFR 5.609(c)(4), since this income is specifically for the cost of medical expenses. The household is **not** entitled to a medical expense deduction.



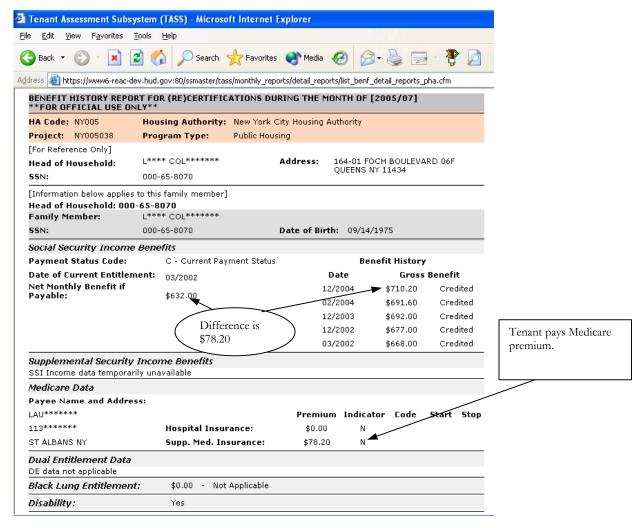


Figure 60. Household entitled to Medical Expense Deduction

In this case, the tenant pays the Medicare premium of \$78.20, which is deducted from the tenant's gross benefit amount, resulting in a net social security payment of \$632.00 (\$710.20 - \$78.20). Since "N" is indicated under "Indicator," the tenant pays his/her own Medicare premium. The household is entitled to a medical expense deduction, subject to 3% of annual income.